

# STATE OF ARIZONA

Department of Revenue



**DATE:** August 25, 2004  
**TO:** Motor Vehicle Retailers  
**FROM:** Arizona Department of Revenue  
**RE:** Sales of Motor Vehicles to Nonresidents

Janet Napolitano  
Governor

J. Elliott Hibbs  
Director

## **New Transaction Privilege Tax Exemption effective August 25, 2004:**

[\[Laws 2004, Chapter 296 \(HB 2460\)\]](#)

Effective August 25, 2004, new statutory provision A.R.S. § 42-5061(U) affects Arizona sales of motor vehicles to nonresidents who are from certain states that have both tax reciprocity\* with Arizona and lower state tax rates than Arizona. These states are **Alabama, Alaska, Colorado, Delaware, Georgia, Hawaii, Iowa, Kansas, Louisiana, Maine, Massachusetts, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, South Carolina, Utah, Virginia, Wisconsin, and Wyoming.**

This new law provides a deduction from the seller's Arizona transaction privilege tax base that makes the applicable Arizona state tax equivalent to the state tax rate of the nonresident's state. This statutory provision applies to the sale of a motor vehicle to a nonresident purchaser who takes possession of the vehicle in Arizona. The imposition of city privilege taxes is not affected by A.R.S. § 42-5061(U); city privilege taxes apply as usual to these sales.

For the reduced tax rate to apply, the nonresident purchaser must complete an exemption certificate [\[Arizona Form 5000\]](#); obtain a 30-Day Nonresident Registration Permit from the seller and complete the requisite nonresident purchaser affidavit; and provide driver's license information (including a copy of the driver's license) to the motor vehicle seller.

To assist sellers in computing the correct amount of state transaction privilege tax, county excise tax, and the correct deduction amount for Form TPT-1, the Department of Revenue has created three versions of a worksheet. The Department has also created a list of nonresident state tax rates (for the above listed states) and Arizona county tax rates to be used in conjunction with the worksheet.

**Worksheet A** is a **blank** worksheet that can be printed. The taxpayer must insert the needed numbers and perform the calculations manually. An example of completing the worksheet and filling out Arizona Form TPT-1 is included.

**Worksheet B** is a **fillable** worksheet that can be printed. The worksheet can be completed online and then printed. An example of completing the worksheet and filling out Arizona Form TPT-1 is provided on the worksheet.

**Worksheet C** is a **computational** worksheet that can be printed. By simply entering the motor vehicle's taxable sales price and selecting the nonresident's state and the Arizona county in which the sale is made, the worksheet will calculate the tax and provide the amounts to place on Form TPT-1 for that transaction. (Arizona is included as one of the states in the drop-down menu in order to compare the tax savings that arise from the newly enacted law.) Note: The Department recommends double-checking the numbers and the calculations on this worksheet, as the Department can not be held responsible for erroneous calculations.

### **Nonresident State Tax Rate Schedules:**

The [Nonresident State Tax Rate Schedules](#) (which includes *County Tax Rate Schedules*) are for use with the worksheets pertaining to the exemption provided by A.R.S. § 42-5061(U). These tax rates and state and county abbreviations can be inserted into either the blank worksheet or the fillable worksheet. (These state tax rates and county tax rates are already provided within the computational worksheet, Worksheet C.)

Also provided on these rate schedules is taxability information about sales to nonresidents from all other U.S. States and the District of Columbia, as follows:

#### ***Nonresidents from Arkansas, District of Columbia, Maryland, Mississippi, Oklahoma, South Dakota, and West Virginia:***

A.R.S. § 42-5061(A)(28)(a) provides an exemption from state transaction privilege tax and county excise tax for sales of motor vehicles to nonresidents from these states, which do not provide reciprocity\* for taxes paid in Arizona. The nonresident purchaser must obtain a 30-Day Nonresident Registration Permit and must complete an Arizona Form 5000.

#### ***Nonresidents from California, Connecticut, Florida, Idaho, Illinois, Indiana, Kentucky, Michigan, Minnesota, Nevada, New Jersey, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, and Washington:***

These states' tax rates are all higher than the Arizona transaction privilege tax rate. Therefore, sales of motor vehicles to nonresidents from these states are subject to the full rates of Arizona taxes if the nonresident purchaser takes possession of the vehicle in Arizona. However, these states provide reciprocity\* for tax paid in Arizona, and will therefore allow a credit for the **state** tax paid in Arizona.

### **Out-of-State Deliveries:**

#### **Sales of Motor Vehicles to Nonresidents for Use Outside of Arizona**

The Department's [Arizona Transaction Privilege Tax Ruling TPR 03-1](#) remains in effect and governs sales of motor vehicles to nonresidents when the motor vehicle dealer delivers the motor vehicle to the nonresident outside of Arizona. As required by this ruling, an [Arizona Form 5010](#) must be completed by the nonresident purchaser and the motor vehicle dealer. Additionally, a 30-Day Nonresident Registration Permit must be obtained, including the completion of a nonresident purchaser affidavit.

\* "Reciprocity" means that a state will allow a credit for state taxes paid on items purchased in other states.